

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

December 7, 2009
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Degginger, Deputy Mayor Balducci, and Councilmembers Chelminiak, Davidson, Lee, Robertson, and Wallace

ABSENT: None.

1. Executive Session

Deputy Mayor Balducci opened the meeting at 6:02 p.m. and declared recess to Executive Session for approximately 25 minutes to discuss one item of potential litigation.

The Study Session resumed at 6:40 p.m., with Mayor Degginger presiding.

2. Study Session

(a) School Impact Fee for Issaquah School District No. 411

Mayor Degginger noted that Bellevue is served by several school districts, and approximately 11 percent of the Issaquah School District's student population are Bellevue residents.

City Manager Steve Sarkozy explained that the City of Bellevue serves as the pass-through authority for the collection of impact fees by the Issaquah School District. The District has chosen to generate fees for its capital program in this way, which requires City Council consideration and approval.

Catherine Drews, Legal Planner, referred the Council to page SS 2-1 of the meeting packet for an overview of the Issaquah School District's impact fee proposal. Because the District has no development review or permitting authority, local jurisdictions within the boundaries of the District act on its behalf in collecting fees. Those fees are then passed through directly to the District. In July, the City received a copy of the District's 2009 Capital Facilities Plan and its request for modifications to the impact fee schedule. For 2010, the District proposes a decrease in both single-family and multifamily impact fees. Multifamily impact fees will decrease from \$806 to \$0. Impact fees for single-family units will decrease from \$5,495 to \$3,344.

Ms. Drews said staff is requesting Council direction to prepare an ordinance adopting the impact fees for action during the December 14 meeting.

Jacob Kuper, Chief Financial Officer for Issaquah School District, briefly explained the rationale for the requested decreases in impact fees. The impact fees are driven primarily by the Issaquah tax rate and unanticipated state-matched construction funds of approximately \$4 million.

Responding to Councilmember Davidson, Mr. Kuper said single-family impact fees have traditionally been higher than multifamily fees, as the formula is based on calculations of projected student generation.

Referring to page SS 2-23 of the meeting packet, Councilmember Wallace inquired about the state-matched credit and tax payment credit deductions. Mr. Kuper explained that the formula for these calculations was negotiated years ago with King County before growth management fees were first enacted in approximately 1992.

Responding to Councilmember Lee, Mr. Kuper stated that Bellevue is home to two of the Issaquah School District's elementary schools, which have been expanded in the past. The District is adding capacity at Issaquah High School, which is a direct feeder school from those two elementary schools. User fees are collected to expand capacity for student enrollment growth. The Issaquah School District was the fastest growing school district in the entire state for the past four to five years. There was an influx of student enrollment growth this year, which is not reflected in the current impact fee calculations.

Mayor Degginger noted that construction of the new Issaquah High School appears to be moving along. Mr. Kuper stated that the high school is an approximately \$90 million project, which will provide the capacity for about 1,850 students. The classroom wings are to be completed in September 2010, and the District hopes to complete the Performance Arts Center and some adjacent out-buildings by September 2011.

Responding to Deputy Mayor Balducci, Mr. Kuper explained that the District is adding Elementary School 15 to address overcrowding at elementary and middle schools on the Plateau. Issaquah voters passed a bond in 2006 for \$245 million. The first goal was to expand high school capacity, and as a result 9th graders were moved from Skyline High School to a separate campus. The 9th grade campus will now be converted back to a middle school, which will alleviate overcrowding on the plateau. Deputy Mayor Balducci noted that the 2006 bond measure was supported by Bellevue residents with students in the Issaquah School District, and supported by the Bellevue City Council as well.

Councilmember Lee acknowledged that the Council has a responsibility to Bellevue residents served by the Issaquah School District. Responding to Mr. Lee, Mr. Kuper said he has been in correspondence with City staff and he can provide additional information if requested by the Council.

Mayor Degginger noted a consensus to direct staff to prepare an ordinance for action on December 14.

(b) Bellevue Youth Theatre Plan Review

Patrick Foran, Parks and Community Services Director, recalled that in July 2008 the Council endorsed plans to locate a new Bellevue Youth Theatre facility near Crossroads Community Center. Partial funding for the project was included in the parks and natural areas levy approved by the voters in November 2008. Staff has worked with the Bellevue Youth Theatre Foundation to develop a fundraising campaign, which will begin in January. The theatre will celebrate its 20th anniversary in 2010 and currently has facilities in Crossroads Community Center, Highlands Community Center, South Bellevue Community Center, and the Ivanhoe School site. The theatre organization has utilized the Theater at Meydenbauer Center for a number of productions as well.

The estimated cost of the theatre project is \$8 million. Of this, \$2 million comes from the parks levy, \$2 will come from the levy match program (General Fund dollars), and additional funding will be generated through the Challenge Grant program and Bellevue Youth Theatre Foundation fundraising.

Glenn Kost, Parks Planning Manager, reviewed the site and facility concept for the project located within Crossroads Park. The building will be integrated into the existing slope of the site and will be able to utilize existing parking lots. The theatre will seat 110-150 patrons, depending on the specific configuration. It is designed as a wheel with the theatre as the hub, surrounded by support spaces. Mr. Kost described additional features including the opportunity for an adjacent outdoor stage.

Jim Pratt, Bellevue Youth Theatre Foundation, stated that he is thrilled to be a part of this project. The design is customized for the youth theatre program, and includes features such as the placement of sound and lighting boards at elevations that will allow access for developmentally disabled technical crew participants.

Mr. Pratt acknowledged several Foundation Board members and steering committee members in the audience. He described fundraising and volunteer activities as well as the organization's strong public-private partnerships. He noted the community's involvement in developing the project concept and design, and in supporting fundraising activities.

Mr. Pratt expressed appreciation for the Council's support, and noted that the program's success is a tribute to the dedication and commitment of the Bellevue Parks Department.

Deputy Mayor Balducci expressed the Council's support for the Bellevue Youth Theatre program, which also enjoys the support of numerous volunteers and patrons. Responding to Ms. Balducci, Mr. Kost said the theatre will have ample parking at the Crossroads location, based on a transportation and parking study that has been conducted.

Councilmember Chelminiak recalled that during his 2003 election campaign, he was introduced to the Bellevue Youth Theatre by a family when he knocked on their door. He commented on the potential loss of the Challenge Grant, which was followed up by the parks levy and the Supplemental CIP Plan. He observed that participation in the theatre helps youth to learn about themselves and to do better in school and other aspects of their lives. Mr. Chelminiak stated that the new theatre will be a significant asset to the community.

Mayor Degginger stated that it is impressive to see the number of youths who participate in the program, and many continue to be involved as adults. Bellevue Youth Theatre is a nationally acclaimed program that enables individuals to be creative, productive, and involved in their community.

(c) Mid-Biennium Budget Update *[See also Regular Session, Agenda Item 11]*

Mr. Sarkozy introduced staff's update regarding the 2009-2010 Mid-Biennium Budget. Council action on the budget, property tax, and utility tax is slated for the Regular Session.

Finance Director Jan Hawn reviewed five property tax scenarios for Council consideration. The alternatives represent property tax levies ranging from zero to three percent, potential utility tax adjustments, and options for the use of the remaining Supplemental Capital Investment Program (CIP) Plan funds.

Responding to Councilmember Chelminiak, Budget Manager Jonathan Swift explained that the base property tax levy for 2010 is 94 cents per \$1,000 assessed valuation, and each one percent increase adds one cent per \$1,000 AV in property tax. Ms. Hawn referred the Council to page 11-8 for a summary of the property tax options.

Councilmember Chelminiak observed that the table on page 11-8 illustrates that the impact to the average homeowner of a one percent property tax increase is \$6 for the year 2010. The impact of the highest rate increase of three percent is \$17 per year for the average household.

Responding to Councilmember Davidson, Mr. Swift said Bellevue's total levy for 2010 will decrease by approximately \$400,000, primarily because assumptions about new construction were not fulfilled. Mr. Swift clarified that total assessed valuation decreased by approximately 10 percent.

Responding to Councilmember Lee, Mr. Swift reiterated that the estimated base property tax levy is 94 cents per \$1,000 AV. With the parks levy, the rate is \$1.06 per \$1,000 AV. Mr. Swift stated that the Council adopts a total levy versus a specific rate.

Responding to Mayor Degginger, Ms. Hawn said Bellevue's property tax rate is lower than neighboring jurisdictions.

Councilmember Robertson provided comparisons from the previous week's meeting packet. The levy rate for Bellevue is .94 cents; Issaquah is \$1.13; Kirkland is \$1.14; Mercer Island is \$1.00; Redmond is \$1.35; and Seattle is \$2.58.

Responding to Mayor Degginger, Mr. Swift said that in general the total assessed valuation of adjacent jurisdictions dropped by more than 10 percent. Bellevue's assessed valuation dropped less because \$800 million in new construction was added last year.

Councilmember Lee observed that the tax rate for 2009 was 83 cents, and the base rate for 2010 of 94 cents reflects an increase of 11 cents.

Responding to Deputy Mayor Balducci, Mr. Swift said the increase in the base rate is due to the decline in total assessed valuation. The property tax rate is calculated by dividing the total levy amount by total assessed valuation. Ms. Balducci commented that what matters most is the impact to the average property owner.

Councilmember Wallace referred to Option D on page 11-8, which shows a change in the base property tax rate from 83 cents in 2009 to 94 cents in 2010. Responding to Mr. Wallace, Ms. Hawn confirmed that this is an increase in the rate of 14.6 percent.

Responding to Mr. Wallace, Mr. Swift explained that property tax rate calculations are complicated in that total assessed valuation includes commercial construction. Assessed values for commercial properties have a tendency to decline rapidly during times of recession, and to then re-escalate as the economy recovers.

Dr. Davidson observed that discussion around rates is deceptive, and that the debate should center on the total levy amount.

Responding to Mayor Degginger, Ms. Hawn confirmed that approximately 14 percent of a Bellevue resident's total property tax bill is returned to the City. Mayor Degginger stated that this revenue helps provide police service, fire service, water service, parks, transportation systems, and general government functions.

Dr. Davidson noted his ongoing concern that the County receives more property tax from Bellevue citizens than Bellevue receives from its own citizens.

Councilmember Chelminiak explained that he reviewed the history of his own property tax assessments, which have fluctuated over the years based on the periodic cycles of the County's assessments. Two years ago, while the rest of Bellevue experienced increases of 15-20 percent, his assessment increased by approximately 70 percent. This was due in part to the County's six-year cycle of conducting actual physical surveys of properties.

Responding to Mr. Chelminiak, Ms. Hawn confirmed that the property tax bill for the City portion of the property tax is \$600 per year for the average Bellevue homeowner.

Responding to Councilmember Chelminiak, Mr. Swift displayed a slide summarizing the history of the City's property tax banked capacity since 1994. State law allowed an annual increase of six percent, but Bellevue chose to bank that capacity for many years. Mr. Chelminiak said this reflects a responsible tax policy, even if the City uses its banked capacity for a series of three percent increases going forward to support infrastructure projects.

Dr. Davidson recalled that the six percent limit on annual property tax increases was a response to double-digit inflation rates, which were resulting in double-digit property tax rate increases. He confirmed that Bellevue did not take any property tax rate increases for 10 years.

Councilmember Chelminiak explained that former Bellevue City Councils made deliberate decisions to bank the City's property tax capacity in order for it to be available in the future.

Councilmember Lee commented that the banked capacity does not equate to funds available to spend. He agreed that past Councils have been responsible and conservative. However, he feels it is important to look at the current economic situation.

Deputy Mayor Balducci observed that the other side of the issue is what the City does with the money it collects in property taxes. The City levies taxes to provide important projects and services that are necessary for the community to function. The three percent property tax currently under discussion is targeted to support the Mobility and Infrastructure Initiative finance plan in 2010 and beyond. She recalled that transportation projects are consistently identified by citizens as a top priority. However, additional funding was critically needed to support major transportation projects, which led to the development of the Mobility and Infrastructure Initiative finance plan.

Ms. Balducci noted that the 2010 property tax rate of three percent to support this plan will cost the average homeowner \$17 for the year. In return, the community will benefit from a series of transportation projects that can be completed more efficiently under the current favorable bidding climate. If the Mobility and Infrastructure Initiative property tax is not approved, projects will not be delivered.

Mayor Degginger suggested moving to the next agenda item and resuming discussion about the budget in the Regular Session.

3. Discussion

- (a) Consideration of the application of G.W. Williams Company (Carrington Apartments Rezone) to rezone 5.5 acres at 2501 148th Avenue SE from R-15 to R-20 (20 units per acre). The applicant requests the rezone to bring the property zoning into conformance with the existing built residential density, which is 19.5 units per acre. The location of the site is within the East Bellevue Community Council jurisdiction. File No. 09-108001-LQ. *[Council action on this quasi-judicial matter is scheduled for December 14, 2009.]*

Land Use Director Carol Helland provided an overview of the Carrington Apartments application to rezone 5.5 acres from R-15 to R-20 (20 units per acre). The property is located near Bellevue College, and no development is proposed at this time. The site has 108 apartments and is currently nonconforming, which means that if the property was destroyed in some way, the property owner would not be allowed to rebuild to the current density. The City has not received any public comments on the proposal, and the matter is scheduled for final Council action on December 14.

Responding to Councilmember Lee, Ms. Helland said the rezone will bring the property zoning into conformance with the existing built residential density, which is 19.5 units per acre.

Responding to Councilmember Chelminiak, Ms. Helland said the current nonconforming status creates problems for the property owner in terms of insuring the property and when making any improvements or repairs to the existing development.

In further response to Mr. Chelminiak, Ms. Helland said staff concluded that the rezone request was reasonable due to the context of the built environment. She stated that the zoning map designation was probably an error that occurred when the area was annexed from King County.

At 8:05 p.m., Mayor Degginger declared recess to the Regular Session.

Myrna L. Basich
City Clerk

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